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The Netherlands

HRI Food Service Sector

The Dutch HRI - Food Service Sector Report

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Report Highlights:
This report was prepared to give an overview of the Dutch Hotel, Restaurant and Institutional Market.

Includes PSD changes: No
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I. MARKET SUMMARY

A. The Dutch economy in general.

The Gross Domestic Product (GDP) increased in volume by 3.7% in 1998, practically the same as in 1997. This growth rate, was greater than the average in the euro zone. On the income side, the growth of personal consumption and exports has traditionally made the largest contribution to economic growth. For the first time since 1992, personal consumption added more to the growth of GDP than exports thanks to an improvement in the purchasing power of households. Forecasts for 1999 are favorable according to the CPB (Dutch Central Planning Organization). Expectations are that in 1999 the Dutch economy will grow to 3.0%. Inflation is expected to be 2.1%. Consumptive spending will probably increase by another 4%. In the long term consumptive spending should increase by 4 to 5% annually.

	1996	1997	1998
GDP (US$ billion)	392,565	360,477	371,362
GDP per head $	25,294	23,099	23,686
GDP Growth%	3.10	3.60	3.70
Inflation %	2.10	2.20	2.10
Guilder-Dollar exchange rate	1.69	1.95	2.00

B. The Dutch Population and Households

During the past five years the Dutch population grew by 0.5% annually, a growth of 80 to 85 thousand people per annum. In the year 2000, the Netherlands should have approx. 15.85 million inhabitants. After the year 2000 the population growth will decrease to 0.4% per year between 2000 and 2010 and to 0.3% between 2010 and 2020.

Number of persons per age group (%)

	1990	1995	2000	2005	2010
0-9	12.1	12.5	12.5	12.1	11.5
10-19	13.4	11.8	11.9	12.3	12.4
20-34	25.2	24.4	21.7	19.6	18.4
35-49	21.8	23.0	23.1	23.3	22.8
50-59	10.5	10.6	12.6	13.7	13.6
60-69	8.5	8.5	8.8	9.2	11.0

70-79	8.5	6.1	6.2	6.4	6.5
80+		3.1	3.2	3.5	3.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

The Dutch population is ageing, however this is a very slow process compared to other European countries. A second trend is the increase in the rang 20-39 to younger people aged 40-64. The third trend is a decreasing number of younger people, although this last trend should soon change. Until the year 2010 this number will remain fairly stable.

The number of households is still increasing although less rapidly as in the past. The average household size is decreasing as the next tables show.

Development of Households

	1990	1995	1997	2000	2005	2010
Number of Households (x 1,000)	5,950	6,490	6,674	6,850	7,120	7,330
Average No people per household	2.45	2.37	2.30	2.28	2.27	2.24

Average size per household (%)

	1980	1990	1995	2000	2005	2010
1 person	20.0	27.5	29.0	30.0	31.0	32.5
2 persons	29.0	33.0	24.5	35.5	37.0	37.5
3 persons	15.0	17.0	14.5	14.0	13.5	13.0
4 persons	22.0	17.0	16.0	15.5	14.5	13.5
>5 persons	12.0	7.5	6.0	5.0	4.0	3.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Expectations are that in the year 2000, 65% of households will consist of one or 2 persons. In 2010 this percentage should increase to 70%. This is an important trend for the food service sector as more small households will consume their meal outside their home.

The tables above show that in the year 2000 only 20% of all households will consist of 4 or more persons, however this group is still 38% of the total population. In 2010 this share will further decrease to 17% and 33% of the total population.

C. The Dutch food market.

Social changes in our society result in an increasing food consumption in the out-of-home market. Although in 1975 only 10% of total food products (value) were sold through the food service market, nowadays this is already 30% and expectations are that in 10 years time this share will have increased to 50%. This means restaurant and snack bar sales becoming as important as supermarket sales.

Development in General Consumer Food & Drink Spending (X Dfl 1 Billion)												
	1995		1996		1997		1998*		1999*		2000*	
	Dfl	%	Dfl	%	Dfl	%	Dfl	%	Dfl	%	Dfl	%
Total Retail	62.2	71.7	63.9	71.6	66.1	71.6	68.0	71.4	70.8	71.1	74.2	70.7
Total Food Service	24.6	28.3	25.4	28.4	26.2	28.4	27.3	28.6	28.8	28.9	30.8	29.3
Total for Retail & Food Service	86.8	100.0	89.3	100.0	92.3	100.0	95.3	100.0	99.6	100.0	105.0	100.0

Source: ACNielsen * Forecast

The above tables show the growing importance (both now and in future) of the total food service segment within the total Dutch Food & Drink market. The main reason behind this strong growth is the increase in the total number of "eating occasions" (= consumption frequency).

The Dutch Food Service Market, 1998 (x Dfl 1 billion)		
Commercial Catering:		
Horeca	8.74	32
Other	6.55	24
Institutional Contract Catering:		
Company Catering	4.37	16
Social Catering	7.64	28
Total Size Food Service Market 1998	27.3	100%

Source: Grootverbruik Ahold (GVA)

D. The Dutch Consumer

The total food and drink market is still increasing, but the restaurant market shows a larger increase than the retail market.
According to CBS the consumption in Holland in 1998 grew by approximately 4.4 % in volume and in value by about 6.3% (including the inflation rate of 2.1%).

Social changes in Dutch society result in an increasing number of eating occasions, a large increase of food consumption and a higher out of home consumption.

- The traditional family is falling apart
- Higher mobility of people is leading to less fixed eating moments with the total

family which stimulates individual in-between snacking
- People consume when convenient
- Higher number of one- and two persons households of younger age ~ higher "out-of-home" consumption
- Higher average spending power per household ~ higher "out-of-home" consumption
- Increasing office employment at the cost of factory employment ~ increasing opportunities for using catering facilities

Increasing consumer demand for more variety:
- personal taste preference + diet
- more healthy
- world-wide sourcing

Recent carried out research into the eating habits of Dutch consumers show some important trends:
- Consumers spend less time in the kitchen. It is expected that in the year 2010 many meal-solutions will be contracted out, bought at retail or out of home consumed.
- A large part of the Dutch population buy take away meals, although Chinese food take away restaurants, snack bars and pizza couriers have to compete more and more with supermarkets, since their opening hours have increased and people can buy their food and drink during evening hours.
- The use of ready made meal components, such as sliced vegetables, pre-cooked potatoes, ready made meat, etc. is strongly increasing, and more importantly, more often per week. Consumers are already used to eating prepared foods at home.
- The most use of ready-to-eat meals is by young single persons. Although buying frequency is still relatively low, 91% makes use of ready meals. In particular frozen pizza's are most favorite, also with young two person households and households with children. There is less use of ready-to-eat meals by older consumers.
- In line with this is the trend to an increase in out-of-home eating. A good example of this trend is the increasing sales of sandwiches at garage forecourt nowadays.

These basic changes in Dutch society and consumer behavior will (in the longer term) result in:
- A further increase in the importance of the total food service segrnent vs. retail (see figures page 2).
- Traditional difference I distance between food service and food retail will decrease in terms of product concepts, pricing and eating occasions.

Use of ready meals (%).

	Singles		**2-persons**		**Households 2+**
	Young	Old	Young	Old	
Frozen Pizza’s	63	21	56	30	58
Frozen Meals	35	24	28	14	19
Chilled Meals from Supermarket	35	22	26	11	16

Chilled Pizza's	21	11	19	13	19
Chilled Meals from butcher	16	17	11	14	14
Canned Meals	18	18	14	9	10
Do not use any	9	36	19	41	20

Source: PVV.

Advantages and Challenges facing U.S. Products in the Netherlands

Advantages

- The Netherlands is a trading market used to trading overseas, always interested in new innovative trading partners. Dutch businessmen have always explored business possibilities world-wide resulting in very active trading to and from Holland and an "open mind" both from buyers in the food service market, as well as consumers (relatively quick and easy adaptation of foreign food and eating cultures).
- No language problems as most Dutchmen are fully prepared to speak a foreign language (especially English) and most of them master the English language reasonably well.
- The range of export potential for products in the Netherlands is amazingly broad based. American industrial and consumer goods have a reputation for quality. American exporters considering the Dutch market should follow the conventional wisdom, which states that an American product with strong sales in the U.S. can expect to do well in the Netherlands.
- U.S. fast food and restaurant chains are popular and familiar to the Dutch consumers (McDonalds, Burger King, Pizza Hut).
- American firms expanding into Europe should seriously consider the Netherlands as a springboard into the rest of Europe - geographically, structurally and culturally the most logical choice. Over 160 million consumers (half the population of the European Union) live within a 300 mile radius of Rotterdam.
- The country's strategic location combined with the relative ease of doing business makes the Netherlands an ideal European operations location for American companies. The Netherlands boasts a world-class and user-friendly transportation and distribution infrastructure, as well as a full menu of business services.
- More than 7,000 U.S. companies have appointed Dutch agents and distributors in the Netherlands. Approximately 1,600 subsidiaries of American companies have operations in the Netherlands, employing over 150,000 people. One hundred and eighty of these American companies have their European headquarters in the Netherlands. Many American companies locate Dutch distributors through participation in trade events, and by taking advantage of the services offered by the Commercial Service which are designed to support the matchmaking process.

Challenges

- The Food Service market is a very fragmented market. This is a obstruction for introducing products directly into the market. Close co-operation with a wholesaler is therefore needed.
- Logistics are becoming very important, especially in chilled. Order lead times are traditional~ in food service as short as currently in modem retail. Extra deliveries for unforeseen circumstances are normal. Changes in the orders are in most cases possible until 15 :O0hrs for next day delivery. Concentration at the supplier side of the market helped in getting the economies of scale in the distribution.
- Fresh, chilled and frozen products are becoming more commonly used in the food service market. The demand for high quality, better tasting and further prepared products is driving development into this direction. For example very important products in the food service market such as soups (chilled) and coffee (fresh) are available and growing fast. Due to the tremendous improvements in logistics these short shelf life products are no longer a problem to handle in the food service market.
- HACCP (Hazard Analysis Control Critical Path) is implemented throughout the supply chain, not only by manufacturers but also within individual catering outlets. There is more emphasis on quality issues and this will continue. Temperature control throughout the chain is stricter than ever before.

- Providing meal solutions. More prepared products are the products of the future. This means large scale industrial preparation of semi finished and finished products or components which only have to be assembled at the point of sale. Food preparation is reduced to reheating and assembly of food products.
- New formula's on the edge of catering with a strong concept, for example in fast food chains, are entering the market place.
- Out of home consumption is still relatively low, but increasing. More (small) households will consume heir meals out of home.
- Building brands in food and drinks elaborate.
- The Dutch food service market should be considered as a springboard into the Dutch retail market.

II. ROADMAP FOR MARKET ENTRY

A. Entry Strategy.

Based on the complexity of the supply chain within the Food service market and the need for process control the following conclusions regarding possible commercial approaches can be drawn:
The "type of product" determines whether a "direct" or "indirect" approach to the customer is possible or desirable.
Modern, leading wholesalers offer commercial tools to influence I control the customer, rather than just supplying physical distribution services.

Product type:	**Commercial approach:**
• Commodity • Highly competitive	• Direct to customer • Indirect via wholesaler
• "Problem solvers" • Innovations	• Indirect via wholesaler • Direct to customer • Preferably joint approach with wholesaler
• Me too's • Small potential	• Difficult to get initial interest from either wholesaler or customer • Need for local distributor search (should have local sales force)
• Fresh/Frozen	• Indirect via wholesaler

B. Market Structure.

The total out-of-home market, covering all food and drinks sold or consumed out of home can be divided into two categories:

COMMERCIAL CATERING

commercial catering (profit driven) covers:

34. **"Horeca";** all hotels, restaurants, café~s, snack bars and fast food restaurants. In the Netherlands it is common to use the word Horeca which stands for an abbreviation of hotel restaurant and café'.
35. **in flight catering and party catering.**
36. and other like: **garage forecourt, entertainment and leisure parks.**

INSTITUTIONAL CONTRACT CATERING

Institutional contract catering covers:

1. **Company catering** (company restaurants).
2. **Social catering** (healthcare: hospitals and other types of nursing homes; educational organizations; and other public services: e.g. prisons, armed forces, etc).

In this segment of the food service market catering is not the core business (cost driven);organizations could either choose to do it themselves or involve third party caterers, so-called contract caterers.

Obtaining I having control over (main) food service customers is a very difficult and complex task. Control possibilities are limited due to the fact that suppliers in principle only have direct contacts at central management level within contract catering companies, i.e. either the purchasing department or the marketing (-- food service) department. Most suppliers do not have the facilities to obtain I keep direct contacts at floor level (= the people at the actual individual location). In the end these people decide whether they will use your product or not. It is here that a close co-operation with leading wholesalers becomes vital. These wholesalers stay in daily direct contact with each individual location ("order taking"), during which they have an excellent opportunity for direct sales I advice. Apart from this they offer other commercial tools for influencing employees at floor level.
For this reason in particular it is advisable to try to work commercially together with leading wholesalers, rather than "closing" a deal with the customer (= the catering company) and using the wholesaler just as a logistical vehicle. As wholesalers themselves are getting more and more interested in "added value food concepts", the more they will be interested in supporting suppliers of these propositions and playing an active role in this. Therefore the mutual efforts of supplier and wholesaler to inform and convince the "customer" are becoming more acceptable nowadays.

C. Sub-sector profiles.

COMMERCIAL CATERING

The "Horeca" segment is still showing growth. For 1999 a turnover growth of7 % is expected. In 1998 growth was 6.7 %. Favorable developments such as a further increase of consumer spending, the high level of consumer trust, positive business developments and a further recovery of the Dutch economy are important factors causing this growth.
The most important part of the out of home market is the commercial catering sector with a share of 56% of the total food service market (Dfl.15,29billion).It is also the fastest growing part of the market with fast food being the most important development.
The split between commercial catering on one hand and institutional contract catering on the other is diminishing rapidly. In other words, so called social and company catering is being treated less as something social (basic) to employees, patients etc. but more as a service which should be of a high standard. Social and company catering is moving into the direction of commercial catering. Less subsidy and more profit orientated, initially in company and school catering.
The split in retail and catering is also diminishing as for example, in forecourt of petrol stations, home delivery services like pizza delivery etc. It is at the edge of both these categories where new initiatives are serving certain meal occasions and I or types. This market is still very much dominated by individual entrepreneurs and businessmen, but big companies are also entering the market and franchising is getting known.

1. Horeca.

The HO(tel), RE(staurants)and CA(fe) market is a huge but extremely fragmented market.

Number of outlets and development per category.

	1993	**1997**	**1998**
Cafés	18,537	19,263	19,500
Snack bars	8,966	9,785	9,956
Restaurants	8,885	9,510	9,609

Hotels	2,888	2,861	2,973
Total	**39,276**	**41,419**	**42,038**

Source: bedrijfschap Horeca

Share of the Horeca market in 1998 (Dfl. Billion / %)

	Buying value	Share (%)	Turnover growth
Cafés	1.62	27.0	3.5 %
Snack bars	1.61	26.9	3.0 %
Restaurants	2.00	33.3	8.3 %
Hotels	0.77	12.8	11.0 %
Total	**6.00**	**100.0**	**6.7 %**

Hotels

	Number of hotels	Number of beds
1993	2,888	156,979
1994	2,896	159,402
1995	2,871	164,974
1996	2,846	169,667
1997	2,861	173,397
1998	2,973	176,543

In number of outlets the hotel sector is the smallest sector of the "horeca" market. The above figures also show the increase in number of beds. This increase is mainly in the Western part of The Netherlands within the business segment of the market. Hotels in general are getting bigger. The traditional small family run hotel is disappearing. The latest development is the opening of hotel chains which are very well known in France. Campanile is a good example.

Name:	Turnover	Number	Purchasing policy
Bilderberg Hotels and Restaurants	185 million guilders	22	decentralised buying, supply through preferred suppliers
Golden Tulip International	65 on food and beverages	70	centralized buying, supply through preferred suppliers
Accor Business and Leisure Hotels	30 on food and beverages	35	centralized buying, supply through preferred suppliers

Restaurants

Number of outlets	1997	1998	1999
Restaurant	5,160	5,175	5,177

Café/Restaurant	2,734	2,777	2,827
Petit restaurant	1,506	1,544	2,022
Motorway restaurant	110	113	115
Total	**9,510**	**9,609**	**10,141**

There is a remarkable difference in the restaurant scene in the big cities Amsterdam, Rotterdam, The Hague, Utrecht and the western part of Holland versus the other parts of The Netherlands. In the big cities and in the western part of Holland almost 70% of all restaurants are ethnic restaurants. In the rest of the Netherlands it is the reverse with 30 % being ethnic. It is in the latter part that the traditional Dutch restaurant is predominantly present. The growth is within the restaurant and "petit restaurant" segment of the market. New concepts, so-called theme restaurants are introduced making out of home eating more exciting, accessible and affordable. Good examples are Planet Hollywood, Oibibio and Applebees etc.
Within the ethnic restaurants there is a strong dominance of the Oriental kitchen. The split by nationality region of the kitchen is as follows:

Nationality of the kitchen per meal provider in 1998 and number of outlets

Dutch	4,459
Chinese/ Indonesian	l,544
French	1,332
Italian	942
Other Oriental	883
Others	449
Total	9,609

The above data show the influence of the various "kitchens" on the Dutch eating pattern. Chinese 'Indonesian is still the most popular, certainly compared to other oriental cuisines. The ethnic restaurants have specific wholesalers supplying them. There are no chains of restaurants in the ethnic segment of the market.
Some of the more important restaurant chains are:

Name	**Turnover**	**Number**	**Purchasing policy**
Van der Valk	550 million guilders	48	always direct
AC Restaurants	1725 million guilders	20 (6 with hotel facilities)	centralized buying, supply through preferred suppliers.
Postiljon Beheer	85 million guilders	9	centralized buying, supply through preferred suppliers

Cafes

Number of outlets within the café' segment.	**1997**	**1998**
Pubs	10,952	11,065
Party centers	2,212	2,280
Horeca at sport facilities	3,263	3,270
Coffee shops	1,920	1,960
Others	916	925
Total café's	**19,263**	**19,500**

The traditional Dutch pub (bar) is by far in the majority. The trend is however going in the direction of grand café's, specifically in the big cities in the Western part of the Netherlands.
Drinks are the most important part of their turnover.

Snack bars / Fast Food.

The fast food segment is still growing in the Netherlands. Last year the increase of fast food restaurants in the Netherlands was 7.2% at the expense of small snack bars whose turnover decreased by 0.1%. By far the most important fast food company in the Netherlands is McDonalds. Another fast food company which is increasing it's number of restaurants in the Netherlands is Burger King.

Number of outlets in the snack bar segment	**1997**	**1998**
Snack bar	5,598	5,690
Fast food	212	250
Shoarma/Kebab	1,247	1,273
Lunchrooms	1,377	1,750
Others	1,251	993
Total	**9,785**	**9,956**

The snack bar is the traditional Dutch out of home eating for the family, comparable with fish and chip shops in the UK. The product range is limited and based on French fries and a selection of typical Dutch savory snacks such as croquette, "fricandel" etc. This category of shops is struggling very hard, for several reasons:

- The unhealthy fatty image of the products on offer
- The limited range of products
- Poor quality and poor service
- Competition from fast food restaurants/ pizza home delivery etc.

Since the end of the 1980's there has been a continuous process of upgrading within this sector. New snacks have been successfully introduced, for example shoarma. This is a pitta bread filled when ordered with marinated baked strips of pork or lamb together with red peppers and garlic sauce. The rise in the number of shoarma stores came partly from newcomers to the market and from snack bars transferring to shoarma. The same applies for the increase in the number of lunchrooms. Suppliers to this market segment are always looking for new snacks or snack type products, which means opportunities for US supply. Most of the products are sold frozen or fresh (e.g. fries).

2. In-flight catering

In-flight catering is a fast growing market segment due to the strong increase in the number of flights within Europe (and from Schiphol in particular). It is foreseen that in the future flight companies will serve a wider choice of meals (Horeca approach) for which travelers have to pay separately from their basic ticket price. At check-in travelers will decide what to eat on the flight.
The "traditional" meal is being changed into more added-value (light to eat) snack type of products. Flight companies in principle change their menu's twice a year for which contracts (main) suppliers can tender. Most flight companies approach 4 potential suppliers of which 2 will receive a contract. The best commercial approach for manufacturers is to contact the well-known in-flight catering suppliers rather than contacting the flight companies themselves.

Name	**Turnover**		**Purchasing policy**
Delta Daily Foods	75 million Dfl.	In-flight catering	contact sales department
KLM Catering Services	50	In-flight catering	whenever possible direct
Marfo B.V.	25	In-flight catering	whenever possible direct

3. Party catering

In 1998 there were roughly estimated 260 party caterers. The largest party caterers in the Netherlands are Maison van den Boer and Martinair Partyservice with a joint market share of 40 to 50%.
Next to those two, 14 Veneca members contract caterers together cover 30% of the party catering market. The development of party catering has been as follows (Source: Veneca):

- 1989 100-1 50 million guilders
- 1992 170 million guilders
- 1998 230 million guilders

Maison van den Boer	55	Party catering	central buying department
Martinair Party Service	50	Party catering	central buying department

4. Forecourt

Petrol stations are the best example to show the development of retail and food service all at the same place. Some insiders expect these type of outlets to evolve towards convenience stores with petrol sales. Fact is that each of the four leading petrol providers have formed an agreement with four different food retail organizations. Market leader Shell (750 petrol stations) works together with Albert Heijn. BP (750 petrol stations) has an agreement with Schuitema © 1000). Esso (700 petrol stations) works together with Vendex and finally Texaco works together with Spar.

All major petrol stations (around 2200) have a fast food comer. They are supplied both frozen and fresh. Frozen products are either re-heated at point of sale or defrosted and sold chilled (e.g. bread rolls). The order lead times for fresh products are extreme. For sandwiches made locally the supplier will receive a forecast for the coming week. The definite order for delivery next day into the store is received at 16:00 hrs each day to be delivered at the depot before 23:00 hrs the same day.

INSTITUTIONAL CONTRACT CATERING

Institutional contract catering (cost driven) does not mean that per definition these types of catering are fully subsidized or will not make any profits. In this respect, especially within the company catering segment, major changes are currently taking place. At this moment most companies still heavily subsidize the supply of meals within their company, where the contract caterer is primarily working for a management fee. However, more and more companies are changing their policy by making the contract caterer commercially responsible for a profitable operation of the in-company catering and therefore are reducing their own financial contribution. As a result final consumers (called “the eater") are being faced with increasing costs for meals and catering companies are changing their commercial policy and management of employees (more result oriented).

In 1998 the Netherlands had 107 contract caterers. 14 of them are members of the so-called Veneca, which is an official umbrella organization for contract catering. Number 1 contract caterer in the Netherlands is Van Hecke Catering. Their market share was 33.5% in 1998. Number 2 is Eurest Nederland. Number 3 are two merged companies Service One Catering and BRN Catering, better known as Aibron catering.
Numbers 1, 2 and 3 together have a market share of more than 75%.They all cater for company restaurants, nursing homes, trains, public services, etc.
The 14 Veneca members have 95% of the total institutional contract catering market. The other 93 (107-14) only operate locally and on a fairly small scale. Each day 1 million meals are served by this sector.

Development turnover in Institutional Contract Catering (in Dfl. Million)

	1992	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**
Company Catering	849	971	1,081	1,314	1,390	1,435	1,506
Social Catering	35	53	65	104	119	119	119
Total	**884**	**1,024**	**1,146**	**1,418**	**1,509**	**1,554**	**1,625**

Source: Veneca

Annual Growth in Institutional Contract Catering (in %)

	1992	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**
Company Catering		14.4	11.3	21.6	5.8	3.2	5.0
Social Catering		51.4	22.6	60.0	14.4	-	-
Total		**15.8**	**11.9**	**23.8**	**6.4**	**3.0**	**4.6**

Source: Veneca

Although still growing, annual growth rates for institutional contract catering (both company catering and social catering) are slowing down, especially in the latter segment. However, it is expected that this situation is just temporary. As for the next couple of years main growth opportunities for institutional contract caterers are expected in the health care-segment in particular.

1.Company Catering

In 1998 total company catering grew to an amount of 1,506 billion guilders. Expectations are that this amount will increase to 1,6 billion guilders in the year 2000.These figures show that contract catering within companies is still growing. However as already 70% of the total company catering (total potential represents about 2,15 billion guilders catering turnover) are using contract caterers, the highest peak of contract catering within the company segment has almost been reached and therefore growth is slowing down. As most contract catering up to now has taken place in medium and large size companies, contract caterers are now trying to penetrate smaller companies and the institutional market which both still show great potential.
As the total working population did not grow much and the number of prepared meals increased drastically, we are looking at a cultural change. It is expected that this trend will continue.

Number of locations of contract catering in the Netherlands, 1991 - 1998

	1992	1993	1994	1995	1996	1997	1998
Company catering	2,416	2,665 (+10.3%)	2,750 (+3.2%)	2,849 (+3.6%)	3,007 (+5.5%)	3,153 (+4.9%)	3,380 (+7.2%)

Source: Veneca/Coopers & Lybrand

2. Social catering

The turnover in the social sector in 1998 was the same as in the previous year, 119 million guilders, although growth in 1996 was still 14.4 % and in 1995 even 60 %!

Number of locations of institutional contract catering in the Netherlands

	1992	1993	1994	1995	1996	1997	1998
Social catering	**47**	**58 (+23.4%)**	**100 (+72.4%)**	**138 (+38.0%)**	**146 (+5.8%)**	**146 (-0.0%)**	**154 (+5.5%) I**

This table shows that the total number of locations grew, although the number of locations is still rather small. This resulted also from the fact that just 2 or 3% of all meals in the health care sector were contracted out until now, while the total potential size of the total social market (Health care + Education) is 2,8 billion guilders, even more than the potential of in-company contract catering (2,15 billion guilders). Expectations are that within ten years the percentage of institutions contracting out should have increased to 20 or 30%.

Health care.

Despite the fact that within the health care segment just 1.9% of the catering demand is contracted out to contract caterers, the latter see this segment especially, as one of the main growth areas during the next 10 years.
The social sector, and hospitals in particular, still have problems handing over the nutritional process to a professional contract caterer, as this process was always perceived as one of their core businesses. However, this is gradually changing and there are already a number of hospitals using contract caterers. Since an increase in financial shortages in the (para) medical sector, it is becoming more and more attractive to use contract caterers, and it would save 200 million guilders on an annual basis. Apart from cost savings, quality aspects are a driving force. Leading health care organizations realize that by using experienced contract catering experts, quality standards, quality control and flexibility will improve significantly as the contract caterer can offer:

- Logistical solutions
- High tech food preparation technology (key driver is "anytime cooking")
- An adequate employment structure

Apart from boarding out catering services to contract caterers, other ways of co-operation will drive business in this segment. Last year one of the biggest Dutch hospitals, the AMC in Amsterdam, started a joint venture operation on a 50/50 basis with contract caterer Eurest. Eurest, with about 60% market share within the institutional sector, leads in this field.
This joint venture is a particular model for current negotiations between major caterers such as Eurest, Van Hecke and Albron as well as health care organizations.

Education.

in March 1997 research was carried out into school catering in the Netherlands. 7 of the total of 12 universities and 30 of the total of 68 academies in the Netherlands cooperated in this research. In the season 96/97 there were about 170,000 registered university students and 220,000 academy students. The highest degree of contracting out catering is at small and large academies. Most important reasons to contract out are:

- Restrictions to core business (37%)
- Lack of knowledge about catering (20%)
- Lower costs by contracting out (10%)

The percentage of catering facilities used by end consumers is 30% at universities and 47% at academies, while in normal contract catering this percentage is much higher, 60%. Total expenditure on school catering is estimated between 160 and 180 million guilders, while the potential is 1.2 billion guilders.
School catering seems to be an important growth market. Albron Catering and Van Hecke Catering are the largest contract caterers within school catering and have introduced specialized concepts like "Jack and Judy's" and "Take Five". School catering is a segment which has shown enormous growth over the past few years. Due to many mergers and a further concentration of many schools, this market is becoming more and more attractive for contract caterers.
The potential for catering in schools is still very high. New ways of financing schools require more efficiency. Contract caterers will play a major role in this. Catering prices within school catering are in general higher than within company catering as companies often subsidize the catering part. For the future the following five trends are expected: less students, more contracting out, flexible opening hours, other products and third money flow.

Name	**Turnover**		**Purchasing policy**
Van Hecke Catering	540 million Dfl.	Contract catering	preferred suppliers

Groep Eurest NL	380	Contract catering	preferred suppliers
Aibron Catering	340	Contract catering	preferred suppliers

III. COMPETITION.

US$ million	1 **996**	**1997**	**1998**
Total exports	177,444.0	195,160.0	184,393.3
Total imports	180,639.0	178,130.0	185,104.0
Total imports from the U.S.A.	14,713.0	16,171.0	16,715.5

Major import sources (% share)	**1996**	**1997**	**1998**
Germany	23.0	22.4	20.8
Belgium/Luxembourg	11.4	11.2	10.6
United Kingdom	10.3	10.0	9.5
France	7.6	7.4	6.9
U.S.A.	8.1	9.1	9.0

Country competition: Food & Drink Exports to NL. Market share of the main exporting countries to The Netherlands (EU countries) of total exports to NL from countries of the European Union.

U5$ million - % Share	1997	1997	1998	1998
Germany	**3,165.7**	**18.3%**	**2,247.4**	**17.2%**
Belgium/Lux.	**2,369.5**	**13.7 %**	**1,868.5**	**14.3 %**
France	**1,989.0**	**11.5%**	**1,319.7**	**10.1%**
Spain	**889.0**	**5.1 %**	**666.4**	**5.1 %**
United Kingdom	**726.4**	**4.2 %**	**431.2**	**3.3 %**
Total export	**17,295.4**		**13,066.5**	

Total imports of Food & Drinks from countries of the EU in 1988 (US $ million).

Meat	1,037.9
Dairy	1,850.8
Fish	1,129.7
Cereals	1,270.5
Fruit / Vegetables	3,724.6
Sugar	307.7
Other	2,913.0
Drink	832.3
Total	13,066.5

US exports of agricultural and fish products to the Netherlands (in thousands of Dollars).

	1994	1995	1996	1997	1998
Bulk agricultural Total	898,275	1,126,729	1,127,229	1,055,021	728,352
Rice	40,304	31,136	35,429	22,607	17,575
Soybeans	692,132	844,676	896,683	855,374	515,978
Peanuts	41,453	59,045	31,686	48,463	35,836
Intermediate agricultural Total	522,411	626,087	576,628	520,411	418,793
Consumer oriented agricultural	272,767	309,497	341,408	344,201	392,243
Snack foods (excl. nuts)	5,658	5,851	6,924	6,068	7,595
Red meats	10,827	18,590	14,581	15,492	16,284
Poultry meat	9,391	11,829	17,542	9,093	1,616
Fresh Fruit	25,144	31,716	31,429	26,681	24,649
Processed fruit + vegetables	50,735	55,099	43,170	40,823	59,314
Fruit + vegetable juices	19,975	45,402	32,276	50,816	47,451
Tree nuts	69,688	59,352	96,495	77,111	80,990
Wine + beer	5,699	10,234	10,598	17,097	47,712
Fish + Seafood Products Total	28,045	21,798	22,356	21,628	27,130
Salmon	4,558	3,066	1,142	1,338	1,786

Salmon, canned	13,183	11,746	10,148	10,043	8,452

IV. BEST PRODUCT PROSPECTS.

A. Products present in the market which have good sales potential.

Fish + seafood:	Salmon and other species including surimi. Canned + frozen. Added value, ready to use. Seafood based snack and fast food items.
Wine + spirits:	USA wines are increasingly popular. Also branded opportunities. Bourbon whiskey.
Fruits:	Canned and frozen.
Nuts:	Bulk product. Low cost bulk items: Based on economies of scale in production there are always opportunities for competitive offers.
Soft drinks / fruit juice:	Per capita consumption is increasing. Branded opportunities. Ice coffee. Strong limitation on usage of PET bottles (deposit-money system).
Fast food concepts:	Mc Donalds the market leader and bench mark. Opportunities for new fast food concepts.
Ice cream:	Branded opportunities.
Savoury snacks:	Tortilla crisps, microwave popcorn etc.
Pizza's:	American style deep pan pizza.

B. Products not present in significant quantities but which have good sales potential.

Ethnic cuisine products:	Consumers demand variety and are getting more familiar with foreign food. Condiments, sauces, spices and herbs etc.
Snack products:	Microwave/Oven. Snacking is the fast growing eating occasion within the food service market. Product concepts throughout all product categories which fit into this snacking trend are therefore very popular. It is one of the major areas with opportunities.
Healthy food:	Is getting more attention within the food service market. Next to the traditional Dutch snacks healthy options such as salads, dairy products and ovenable instead of deep pan frying snacks are now on the menu within the food service market.
Meat alternatives:	Although meat is still an important part of the meals restaurants serve, steak, lamb and veal are becoming increasingly important (something special). Next to these, alternatives such as fish and non-meats are becoming more popular.
Bake off products:	Donuts, cookies including fast food concepts.
Flavoured coffees:	Specially coffees including fast food concepts.

C. Products not present because they face significant barriers.

American beef:	Hormones used are not allowed in the Netherlands.
GMO products:	At consumer level there is a growing concern about GMO products such as corn and soja.
Short shelf life products:	Distance and costs are the main barriers for these type of products.

At product level there are opportunities for different type of products in different product categories:

“Real problem solvers”:	A good example is portion served (powder-)soups which gave the smaller organisations the possibility to serve soup to their people in a convenient way and with a personal choice.
Ready meals / components:	The growth in this category will be concentrated on chilled short shelf life meals or meal components. Sous vide meal components are already very well accepted. This category is growing fast. The next step will be in ultra fresh meals or meal components which only have to be reheated at the place and time of consumption.
Innovations:	Innovations such as the single serving sachets of cappuccino by Nestlé are expanding the market and increasing the consumption of speciality coffees.

V. POST CONTACT AND FURTHER INFORMATION.

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